

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 AID-20 CEA-02 CIAE-00

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PA-04 USIA-15 PRS-01 SAM-01 L-03 H-03 DRC-01 /157 W

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R 061545Z FEB 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 1689

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E.O. 11652: N/A

TAGS: EAGR, ETRD, BR

SUBJECT: BRAZIL'S WHEAT SITUATION

1. DOMESTIC PRODUCTION FROM CY 1973 AVAILABLE FOR CONSUMPTION IN CY 1974 IS 1.5 MILLION METRIC TONS. OFFICIALS HAVE INDICATED IMPORT REQUIREMENTS OF APPROXIMATELY 3.0 MILLION TONS. WHEAT BOARD MEMBERS OF SUNAB CONTINUING TRADE TALKS IN ARGENTINA. BRAZIL PUSHING FOR DELIVERY OF 220,000 METRIC TONS OF ARGENTINE WHEAT AT LAST YEAR'S PRICE. BRAZILIANS DEFEND THEIR DEMAND AS REASONABLE BECAUSE ARGENTINA FAILED TO DELIVER THAT AMOUNT UNDER THE TERMS OF 1973 AGREEMENT. TRADERS HOWEVER DO NOT EXPECT ARGENTINA TO DELIVER ANY WHEAT AT LAST YEAR'S PRICE. BECAUSE OF POOR CROP IT IS ANTICIPATED THAT ONLY ABOUT 300,000 METRIC TONS WILL BE AVAILABLE TO BRAZIL FROM ARGENTINA. (AGREEMENT BETWEEN THE TWO COUNTRIES CALLS FOR DELIVERY OF ONE MILLION TONS PER ANNUM).

2. FOR THE COMING YEAR BRAZIL WILL DRAW HEAVILY ON DOMESTICALLY PRODUCED WHEAT DURING THE EARLY PART OF THE YEAR, THEN SHIFT TO CANADIAN SUPPLIES. BRAZILIANS HOPE THAT U.S. PRICES WILL SOFTEN IN THIS PERIOD. TRADERS EXPECT ONLY ABOUT 400,000 METRIC TONS U.S. WHEAT WILL MOVE INTO BRAZIL DURING FIRST QUARTER. CANADIAN ARRIVALS EXPECTED AS FOLLOWS: FEBRUARY, MARCH, APRIL-50,000 METRIC

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TONS EACH MONTH; MAY-125,000; JUNE-150,000; JULY, AUGUST,

SEPTEMBER-125,000 METRIC TONS EACH MONTH (TOTAL 800,000). THE BULK OF THE ADDITIONAL 1.5 MILLION TONS NECESSARY TO MEET DOMESTIC REQUIREMENTS WILL PROBABLY COME FROM U.S. WITH SMALL AMOUNTS FROM OTHER COUNTRIES. IT IS OUR UNDERSTANDING THAT STOCKS WITHIN THE COUNTRY ARE NOT SUFFICIENTLY LARGE TO HAVE ANY IMPACT ON THE ABOVE DATA.

3. FEBRUARY 5 THE GOVERNMENT ANNOUNCED NEW PRICE FOR DOMESTIC WHEAT, CR\$80.00 PER 60-KILO BAG (US\$212 PER METRIC TON) WHICH IS ONLY CR\$3.00 PER BAG UNDER PRODUCER DEMANDS. WITH THIS HIGH PRICE BRAZILIAN OFFICIALS BELIEVE 1974-75 PRODUCTION WILL BE CONSIDERABLY LARGER, POSSIBLY EXCEEDING 2.5 MILLION TONS. TUCH

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